

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name City of St. Louis	County Gratiot
Fiscal Year End June 30, 2006	Opinion Date September 15, 2006	Date Audit Report Submitted to State December 7, 2006	

We affirm that:


We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- | YES                                 | NO                                  | Check each applicable box below. (See instructions for further detail.)   |
|-------------------------------------|-------------------------------------|---|
| <input checked="" type="checkbox"/> | <input type="checkbox"/>            | 1. All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.  |
| <input type="checkbox"/>            | <input checked="" type="checkbox"/> | 2. There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.  |
| <input checked="" type="checkbox"/> | <input type="checkbox"/>            | 3. The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.   |
| <input checked="" type="checkbox"/> | <input type="checkbox"/>            | 4. The local unit has adopted a budget for all required funds.  |
| <input checked="" type="checkbox"/> | <input type="checkbox"/>            | 5. A public hearing on the budget was held in accordance with State statute.  |
| <input checked="" type="checkbox"/> | <input type="checkbox"/>            | 6. The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.  |
| <input checked="" type="checkbox"/> | <input type="checkbox"/>            | 7. The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input checked="" type="checkbox"/> | <input type="checkbox"/>            | 8. The local unit only holds deposits/investments that comply with statutory requirements.  |
| <input checked="" type="checkbox"/> | <input type="checkbox"/>            | 9. The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the <i>Bulletin for Audits of Local Units of Government in Michigan</i> , as revised (see Appendix H of Bulletin).   |
| <input checked="" type="checkbox"/> | <input type="checkbox"/>            | 10. There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/>            | 11. The local unit is free of repeated comments from previous years.  |
| <input checked="" type="checkbox"/> | <input type="checkbox"/>            | 12. The audit opinion is UNQUALIFIED.   |
| <input checked="" type="checkbox"/> | <input type="checkbox"/>            | 13. The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).  |
| <input checked="" type="checkbox"/> | <input type="checkbox"/>            | 14. The board or council approves all invoices prior to payment as required by charter or statute.  |
| <input checked="" type="checkbox"/> | <input type="checkbox"/>            | 15. To our knowledge, bank reconciliations that were reviewed were performed timely.  |

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	None required	
Other (Describe)	<input type="checkbox"/>	None required.	
Certified Public Accountant (Firm Name) The Rehmann Group		Telephone Number (989) 799-9580	
Street Address 5800 Gratiot		City Saginaw	State MI
Authorizing CPA Signature 		Zip 48605	License Number 1101007126
Printed Name Gerald Desloover			



St. Louis, Michigan

Financial Statements  
For the Year Ended  
June 30, 2006



**REHMANN ROBSON**

*Certified Public Accountants*

**CITY OF ST. LOUIS**  
**FINANCIAL STATEMENTS**  
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**CITY OF ST. LOUIS**  
**FINANCIAL STATEMENTS**  
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## **INTRODUCTORY SECTION**



108 West Saginaw Street • St. Louis, Michigan 48880  
(989) 681-2137 • Fax (989) 681-3842 • [www.stlouismi.com](http://www.stlouismi.com)

November 7, 2006

To the Honorable Mayor, Members of the City Council and Citizens of the City of Saint Louis:

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2006.

Management assumes full responsibility for the completeness and reliability of all of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement.

Rehmann Robson, Certified Public Accountants have issued an unqualified (“clean”) opinion on the financial statements of the City of Saint Louis for the year ended June 30, 2006. The independent auditor’s report is located at the front of the financial section of this report.

Management’s discussion and analysis (MD&A) immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complement this letter of transmittal and should be read in conjunction with it.

### **Profile of the Government**

The City of Saint Louis, incorporated in 1853, is located in the central part of Michigan, which is considered to be a growing area. The City of Saint Louis currently occupies a land area of 3 square miles and serves a population of 4494. The City of Saint Louis is empowered to levy a property tax on both real and personal property located within its boundaries. It also is empowered by state statute to extend its corporate limits, by annexation, or by agreement with adjacent governmental jurisdictions, which it has done from time to time.

The City of Saint Louis operates under the council-manager form of government. Policy-making and legislative authority are vested in a council consisting of the mayor and four other members all elected on a non-partisan basis. Council members serve four-year staggered terms, with two council members elected every odd year. The mayor is elected to serve a two-year term. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring both the government's manager and clerk. The City Manager appoints the heads of the various other departments.

The City of Saint Louis provides a full range of services, including police and fire protection; the construction and maintenance of streets and other infrastructure; provision of water, sewer and electric utility services; trash collection; and recreation and cultural activities. The City of Saint Louis also is financially accountable for a legally separate Downtown Development Authority which is reported separately within the City's financial statements. Additional information on this legally separate entity can be found in the notes to financial statements (See Note I).

The Council is required to adopt a budget for the ensuing fiscal year no later than its first regular meeting in the month of June. The annual budget serves as a foundation for the City's financial planning and control. The budget is prepared at the fund, function level (e.g., public safety), and department (e.g., police). The budget is adopted at the function level. Department heads may transfer resources within a department as they see fit; however, transfers from one department to another within a function requires City Manager approval. Transfers of appropriations between functions; however, require that a public hearing be held and approval of the City Council.

### **Local economy**

The region (which includes the City of Saint Louis and the surrounding incorporated and unincorporated area within the same county), has an employed labor force of approximately 1,775, which is anticipated to grow at a rate of between 2 percent and 3 percent each year for the next several years. The government's central business district is expected to maintain its current 90 percent occupancy rate with a variety of stores, specialty shops, and commercial businesses. Meanwhile, there continues to be a discernable trend toward steady residential growth.

### **Long-term financial planning**

Unreserved and undesignated fund balance in the general fund (27.4 percent of total general fund revenue) falls within the "rule of thumb" most generally used to determine financial stability of a City's General Fund as reported in "**Challenging Financial Times Continue for Local Governments**" a study conducted by Plant and Moran for the Michigan Municipal League. The study does go on to indicate that some small local governments do require as much as 30 percent unreserved undesignated fund balance.

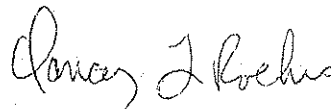
## Acknowledgements

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance and administration departments and accounting assistance from Bobbie Marr and staff of Page Olson & Co., P.C and Robert Klaczekiewicz and staff of Rehmann Robson. We would like to express our appreciation to all members of the City staff, Page Olson & Co., P.C and Rehmann Robson who assisted and contributed to the preparation of this report. Credit also must be given to Mayor Kubin and City Council for their support for maintaining the highest standards of professionalism in the management of the City of Saint Louis' finances.

Respectfully submitted,



Robert McConkie, City Manager



Nancy L. Roehrs, City Clerk/Treasurer



## **FINANCIAL SECTION**



# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

## INDEPENDENT AUDITORS' REPORT

September 15, 2006

City Council  
City of St. Louis  
108 West Saginaw Street  
St. Louis, Michigan 48880-1589

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of **City of St. Louis**, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of **City of St. Louis**, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison of the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2006, on our consideration of **City of St. Louis's** internal control over financial

reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and on compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis listed in the table of contents on pages 3-11 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations, and is also not a required part of the financial statements of the City. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Lohman". The signature is written in a cursive style with a large, looped initial 'L'.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## Management's Discussion and Analysis

As management of the City of St. Louis, we offer the readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of St. Louis for the fiscal year ended June 30, 2006. We encourage readers to the information to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal. All amounts, unless otherwise indicated, are presented in whole dollars

### Financial Highlights

- The assets of the City of St. Louis exceed its liabilities at the close of the most recent fiscal year by \$30,212,805. Of this amount \$2,485,438 may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets decreased by \$847,647.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,285,588. Of this amount, \$1,094,423 is available for spending at the City's discretion.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$378,423 or 16.63% of the total General Fund expenditures.
- The City's total debt decreased by \$112,417.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of St. Louis's basic financial statements. The City's basic financial statements are comprised of three components: 1) government wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of St. Louis finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from

other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, public safety, public works, community and economic development, recreation and culture. The business-type activities of the City include operation of water and sewer systems and an electric distribution system.

The government-wide financial statements include not only the City of St. Louis itself, (known as the primary government), but also a legally separate downtown development authority for which the City of St. Louis is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself. The St. Louis Downtown Development Authority, although a separate legal entity, functions for all practical purposes as a department of the primary government.

The government wide financial statements can be found on pages 12 - 13 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of St. Louis, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of St. Louis can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

*Governmental funds.* *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. Unlike the government-wide financial statements; however, governmental fund financial statements focus on *near term inflows and outflows of spendable resources*, as well as *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of St. Louis maintains 12 individual governmental funds. Information is reported separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund which is considered to be major fund. Data from the other eleven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of St. Louis adopts an annual budget for its General Fund and any other major governmental funds. A budgetary comparison statement has been provided to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found on pages 14 - 18 of this report.

*Proprietary Funds.* The City of St. Louis maintains two types of proprietary funds. *Enterprise funds* are used to report the same functions presented *as business-type activities* in the government-wide financial statements. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The City of St. Louis maintains four individual enterprise funds. Information is reported separately in the proprietary fund statement of net assets and in the proprietary fund statement of revenue, expenses, and changes in fund net assets, for the Water & Sewer Fund, the Electric Fund, the Housing Commission and the Solid Waste Fund, all of which are considered to be major funds

The City uses an internal service fund to account for its fleet of vehicles. Information is reported separately along with the proprietary fund statement of net assets and in the proprietary fund statement of revenue, expenses, and changes in fund net assets. Because the services provided by the Motor Pool Fund predominantly benefit governmental rather than business type functions, they have been included within *governmental activities* in the government-wide financial statements.

The basic proprietary fund financial statements can be found on pages 19 - 23 of this report.

*Fiduciary Funds.* Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of St. Louis's own programs. The accounting for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 24 of this report.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25 - 48 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements.

## Government-wide Financial Analysis

The following summaries provide a perspective of financial information of the City as a whole.

City of Saint Louis				
Net Assets				
	Governmental Activities		Business-type Activities	
	2006	2005	2006	2005
Assets:				
Current and other assets	\$ 1,353,726	\$ 954,911	\$ 3,707,210	\$ 4,075,640
Capital assets	11,339,007	4,423,037	17,347,218	19,081,752
Total assets	<u>\$ 12,692,733</u>	<u>\$ 5,377,948</u>	<u>\$ 21,054,428</u>	<u>\$ 23,157,392</u>
Liabilities				
Current liabilities	\$ 144,604	\$ 212,438	\$ 422,978	\$ 556,801
Long term liabilities outstanding	829,886	945,622	2,136,888	2,260,237
Total liabilities	<u>\$ 974,490</u>	<u>\$ 1,158,060</u>	<u>\$ 2,559,866</u>	<u>\$ 2,817,038</u>
Net assets:				
Invested in capital assets, net of related debt	\$ 10,558,685	\$ 3,518,162	\$ 15,332,218	\$ 16,916,752
Restricted	302,038	168,185	1,534,426	1,490,216
Unrestricted	857,520	533,541	1,627,918	1,932,386
Total net assets	<u>\$ 11,718,243</u>	<u>\$ 4,219,888</u>	<u>\$ 18,494,562</u>	<u>\$ 20,339,354</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of St. Louis, assets exceed liabilities by \$30,212,805 at the close of the fiscal year.

By far the largest portion of the City of St. Louis's net assets (82.4%) reflect its investment in capital assets (e.g., land, buildings, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate there liabilities.

An additional portion of the City's net assets (\$1,836,464) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$2,485,438) may be used to meet the City's ongoing obligations to citizens and creditors.



**City of St Louis**  
**Change in Net Assets**

	Governmental Activities		Business-type Activities	
	2006	2005	2006	2005
Revenues:				
Program Revenues:				
Charges for Services	\$ 374,065	\$ 294,758	\$ 5,201,468	\$ 5,827,774
Operating Grants & Contributions	448,024	435,943	720,781	-
Capital Grants & Contributions	13,818	94,645	23,455	-
General Revenues:				
Property Taxes	632,087	622,059	-	-
State Aid	527,713	529,744	-	-
Other	130,282	(30,395)	110,164	77,229
Transfers	438,410	258,981	(438,410)	(258,981)
Total Revenues & Transfers	2,564,399	2,205,735	5,617,458	5,646,022
Expenses:				
General Government	598,993	527,283	-	-
Public Safety	742,673	657,408	-	-
Public Works	1,151,054	381,926	-	-
Community & Economic Development	171,298	149,606	-	-
Recreation & Culture	323,459	270,565	-	-
Interest & Fiscal Charges	42,107	45,406	-	-
Electric	-	-	3,058,340	3,037,851
Water & Sewer	-	-	1,660,210	1,605,425
Housing Commission	-	-	1,042,922	1,043,424
Solid Waste	-	-	238,448	223,869
Total Expenses	3,029,584	2,032,194	5,999,920	5,910,569
Increase (decrease) in net assets	(465,185)	173,541	(382,462)	(264,547)
Net Assets - July 1, as restated	12,183,428	4,046,347	18,877,024	20,603,901
Net Assets - June 30	\$ 11,718,243	\$ 4,219,888	\$ 18,494,562	\$ 20,339,354

At the end of the fiscal year, the City of St. Louis is able to report positive balances in all three categories of net assets, both for the City as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The City's net assets decreased \$847,647 during the current fiscal year. Much of this decrease can be attributed to recording depreciation expense on infrastructure assets not previously recorded on the City's financial statements. This additional depreciation expense is evident in the large increase of public works expense, where by the majority of the infrastructure depreciation is allocated.

### **Governmental Activities**

Governmental activities net assets decreased by \$465,185 during the current fiscal year. This primarily is the effect of recording depreciation on assets not previously recorded on the records of the City.

## **Business-type activities**

Business type activities decreased the City's net assets by \$382,462 during the current fiscal year. This is primarily due to depreciation. Also contributing is the Electric function forgiving \$100,000 of a loan to the General Fund for construction of the municipal swimming pool and contributions by Electric, Water and Sewer, and Solid Waste to the General Fund for administration.

## **Financial Analysis of the City's Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,285,588. A key element in this increase of \$422,725, as mentioned earlier, is \$100,000 of a loan forgiven by the Electric function for the construction and renovation of the community swimming pool, the addition of a new special revenue fund, MAGNET with a fund balance of \$108,948 and a new capital project fund, Capital Improvement with a fund balance of \$117,094.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unreserved fund balance of the General Fund was \$378,423, while the total fund balance reached \$418,490. As a measure of the General Funds liquidity, it may be useful to compare both the unreserved fund balance and the total fund balance to total fund expenditures. Unreserved fund balance represents 22.9 percent of the total general fund expenditures, while the total fund balance represents 25.3 percent of that same amount.

Fund balance of the City's General Fund increased by \$130,324 during the current fiscal year. Key factors in this increase would be the forgiveness of a \$100,000 loan made for the swimming pool construction and renovations mentioned earlier.

Fund balances in the special revenue funds increased by \$158,548 during the current fiscal year. Key factors in this increase are that the Major Street Fund increased \$134,629 due primarily to a mild winter season and delay in road rehabilitation projects until after the end of the fiscal year; and, the City entering inter-governmental agreements and an accounting entity for MAGNET, which has a fund balance of \$108,948.

The fund balances of the debt service funds of the City increased a total of \$1,921 during the current fiscal year. General Fund and other special revenue funds of the City transfer amounts

necessary to pay current amounts due on bonded indebtedness. Fund balances in the bond debt funds are adequate to service short term needs as they arise.

The fund balances of the capital projects funds increased \$126,225 during the current fiscal year. This is due primarily to establishing the Capital Improvement fund with a fund balance of \$117,094 at fiscal year end.

Proprietary Funds. The City's proprietary funds provide the same type information found in the government-wide financial statement, but in more detail.

Unrestricted net assets of the Electric Utility Fund at the end of the year amounted to \$760,865. The total increase in net assets for the Electric Utility Fund was \$51,176. This increase in net assets is due primarily to the inventory and valuation of assets from the prior year to the current.

Unrestricted net assets for the Water & Sewer system operations at the end of the year amounted to \$244,864. The total reduction in net assets for the Water & Sewer Utility Fund was \$248,382. The major issue resulting in reduction of net assets for the Water & Sewer Utility Fund is due primarily to the inventory and valuation of infrastructure assets from the prior year to the current.

The unrestricted net assets for the Housing Commission at the end of the year amounted to \$409,513. The total reduction in net assets for the Housing Commission fund was \$138,905.

The unrestricted net assets for the Solid Waste fund at the end of the year amounted to \$32,671. The total reduction in net assets for the Solid Waste fund was \$33,883. The primary reason for this reduction of net assets was the need for customer rate increases. Customer rates were reviewed during the preparation of the 2007 FYE Budget and a rate increase was effective July 1, 2006.

### **General Fund Budgetary Highlights**

Originally budgeted revenue and other financing sources were increased nearly \$166,000 to reflect the difference between estimated and actual property taxes, estimated actual revenue from a federal grant, early final lease payment from the Fire Department on a fire truck and the Electric Fund forgiving \$100,000 of a \$200,000 loan to assist with construction of the community swimming pool. The final actual total was \$15,000 short of the amended budget once final accounting adjustments at year end were recorded.

Differences between the original budget and the final amended budget of expenditures and other financing uses totaled \$146,265. These increases were needed as follows:

- To provide for funding necessary for a project to restore shoreline protection system along a linear riverfront park.
- To provide for anticipated expenditure of the entire \$150,000 brownfield grant.
- To provide for added public works projects.

Actual expenditures compared to the final amended budget were \$125,105 less than the budget anticipated.

The largest difference in budget and actual was the commitment of funds for brownfield projects that did not get completed by fiscal year end.

#### Capital Asset and Debt Administration

Major capital asset events during the current fiscal year include the following:

- Asphalt pavement replacement followed the second phase of the Wilson Boulevard Water Main Replacement project at a cost of \$26,500.
- Hydroelectric generating unit no. 5 was rehabilitated at a cost of approximately \$130,000.
- Additional switching equipment was installed at the 2400 volt bus of the St. Louis Electric Substation. This project cost was approximately \$25,000.
- The second phase of the Oak Grove Cemetery Expansion Project was completed. This included drainage provisions and a gravel base for the new street with a cost of \$10,770.
- Progress continued with construction of the West-side Electric System Expansion. This portion of the work consisted of construction of approximately 2000 linear feet of underground primary distribution facilities with an approximate cost of \$25,000.
- Following the discovery of traces of the chemical compound para-Chlorobenzene Sulfonic Acid in three of the City water wells, efforts began to study replacement of this portion of the municipal water supply or other options. Initial work was performed to evaluate treatment options and prepare a preliminary hydro-geological study at a cost of \$9,000.

Additional information on the City's capital assets can be found in Note III. C. on pages 37 – 39 of this report.

#### Long-Term Debt

At the end of the current fiscal year, the City had a total bonded debt outstanding of \$2,988,045. Of this amount \$430,000 is secured by the full faith and credit of the City, and \$10,000 is special assessment debt for which the City is liable in the event of default by the property owners subject to the assessment. The remainder of the City's debt represents bonds secured solely by specific revenue sources (i.e. revenue bonds or leases) or contracts secured by property.

The City's total debt decreased during the current fiscal year by \$217,784. The key factors in this decrease were the increase in balance of compensated absences (\$55,392) and annual installments on bonds of \$280,000. Additional information on the City's long term debt can be found in Note III. F. of the Notes to Financial Statements.

## **Economic Factors and Next Year's Budgets and Rates**

- The City unemployment rate data is not reported; however the County unemployment rate as of the fiscal year ended was 9.7%. The State's unemployment rate of 7.0 percent; however, is somewhat less favorable to the National unemployment rate of 4.7 percent for the same period ending. As of this writing, however, although the National unemployment rate has improved to 4.6 percent and the State (7.1%) has suffered worsening employment conditions, the conditions in Gratiot County have showed a marked improvement (7.8%). Local indicators are favorable for this trend to continue.
- The occupancy rate of the City's central business district has remained steady at 90% for the past three years.

During the current fiscal year, the unreserved fund balance in the General Fund increased to \$378,423. The City has projected a balanced budget with necessity for appropriation of only a minor amount (approximately \$30,000) of the fund balance during the upcoming fiscal year. It is intended that the available fund balance will be sufficient to meet any unforeseen changes in the local economy from the time the budget was prepared through the 2006-07 fiscal year.

Water, sewer rates were increased effective with the new fiscal year. Utility rates had not been adjusted since early 2002. A rate study has been undertaken for the Electric Utility and results of the study are expected during mid fiscal year ending June 2007.

## **Requests for Information**

This financial report is designed to provide a general overview of the City of Saint Louis finances for all those with an interest in the City's finances. Question concerning any of the information provided in this report or requests for additional financial information should be addressed to: Nancy Roehrs, City Clerk, City of Saint Louis, 108 W. Saginaw Street, Saint Louis, Michigan 48880.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF ST. LOUIS**  
**STATEMENT OF NET ASSETS**  
**June 30, 2006**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
<b>Assets</b>				
Cash and cash equivalents	\$ 978,418	\$ 1,067,604	\$ 2,046,022	\$ 28,258
Investments	84,507	-	84,507	-
Receivables	331,029	424,135	755,164	-
Internal balances	(280,185)	280,185	-	-
Prepaid items and other assets	39,854	29,381	69,235	-
Inventory	7,988	318,025	326,013	-
Restricted cash and cash equivalents	82,115	218,054	300,169	-
Restricted investments	110,000	1,369,826	1,479,826	-
Nondepreciable capital assets	2,311,932	749,253	3,061,185	-
Capital assets, net of depreciation	9,027,075	16,597,965	25,625,040	-
<b>Total assets</b>	<b>12,692,733</b>	<b>21,054,428</b>	<b>33,747,161</b>	<b>28,258</b>
<b>Liabilities</b>				
Accounts payable	138,339	421,507	559,846	-
Unearned revenue	6,265	1,471	7,736	-
Noncurrent liabilities:				
Due within one year	106,079	252,331	358,410	-
Due in more than one year	723,807	1,884,557	2,608,364	-
<b>Total liabilities</b>	<b>974,490</b>	<b>2,559,866</b>	<b>3,534,356</b>	<b>-</b>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	10,558,685	15,332,218	25,890,903	-
Restricted for:				
Debt service	10,030	690,140	700,170	-
Capital projects	135,048	844,286	979,334	-
Other purposes - nonexpendable	151,098	-	151,098	-
Other purposes - expendable	5,862	-	5,862	-
Unrestricted	857,520	1,627,918	2,485,438	28,258
<b>Total net assets</b>	<b>\$ 11,718,243</b>	<b>\$ 18,494,562</b>	<b>\$ 30,212,805</b>	<b>\$ 28,258</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF ST. LOUIS**  
**STATEMENT OF ACTIVITIES**  
**For the year ended June 30, 2006**

<u><b>Functions / Programs</b></u>	<u><b>Expenses</b></u>	<u><b>Program Revenues</b></u>			<u><b>Net (Expense) Revenue</b></u>
		<u><b>Charges for Services</b></u>	<u><b>Operating Grants and Contributions</b></u>	<u><b>Capital Grants and Contributions</b></u>	
<b>Primary government</b>					
Governmental activities:					
Legislative	\$ 29,835	\$ -	\$ -	\$ -	\$ (29,835)
General government	569,158	60,694	4,952	6,467	(497,045)
Public safety	742,673	58,273	91,008	-	(593,392)
Public works	1,151,054	50,069	326,668	-	(774,317)
Community and economic development	171,298	32,103	9,897	-	(129,298)
Recreation and culture	323,459	139,560	15,499	7,351	(161,049)
Interest and fiscal charges on debt	42,107	33,366	-	-	(8,741)
Total governmental activities	<u>3,029,584</u>	<u>374,065</u>	<u>448,024</u>	<u>13,818</u>	<u>(2,193,677)</u>
Business-type activities:					
Electric	3,058,340	3,412,287	-	-	353,947
Sewer and water	1,660,210	1,432,997	-	-	(227,213)
Housing commission	1,042,922	143,459	720,781	23,455	(155,227)
Solid waste	238,448	212,725	-	-	(25,723)
Total business-type activities	<u>5,999,920</u>	<u>5,201,468</u>	<u>720,781</u>	<u>23,455</u>	<u>(54,216)</u>
Total primary government	<u>\$ 9,029,504</u>	<u>\$ 5,575,533</u>	<u>\$ 1,168,805</u>	<u>\$ 37,273</u>	<u>\$ (2,247,893)</u>
<b>Component unit</b>					
Downtown Development Authority	<u>\$ 27,011</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (27,011)</u>

continued...

The accompanying notes are an integral part of these financial statements.



Functions/Programs	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>Changes in net assets</b>				
Net (expense) revenue	\$ (2,193,677)	\$ (54,216)	\$ (2,247,893)	\$ (27,011)
General revenues:				
Property taxes	632,087	-	632,087	20,802
Grants and contributions not restricted to specific programs	527,713	-	527,713	-
Unrestricted investment earnings	47,577	69,035	116,612	156
Miscellaneous	82,705	41,129	123,834	-
Transfers - internal activities	438,410	(438,410)	-	-
Total general revenues and transfers	1,728,492	(328,246)	1,400,246	20,958
Change in net assets	(465,185)	(382,462)	(847,647)	(6,053)
Net assets, beginning of year, as restated	12,183,428	18,877,024	31,060,452	34,311
<b>Net assets, end of year</b>	<u>\$ 11,718,243</u>	<u>\$ 18,494,562</u>	<u>\$ 30,212,805</u>	<u>\$ 28,258</u>

**CITY OF ST. LOUIS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2006**

	<b>General</b>	<b>Nonmajor Governmental Funds</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 273,391	\$ 619,023	\$ 892,414
Investments	60,142	24,365	84,507
Accounts receivable, net of allowance for doubtful accounts	28,416	9,548	37,964
Taxes receivable, net of allowance for doubtful accounts	12,018	-	12,018
Assessments receivable, net of allowance for doubtful accounts	-	2,558	2,558
Due from other governmental units	201,606	76,883	278,489
Prepaid expenditures	32,079	1,829	33,908
Inventory	7,988	-	7,988
Restricted assets:			
Cash and cash equivalents	14,548	67,567	82,115
Investments	-	110,000	110,000
<b>Total assets</b>	<b>\$ 630,188</b>	<b>\$ 911,773</b>	<b>\$ 1,541,961</b>
<b>Liabilities and fund balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 55,385	\$ 28,972	\$ 84,357
Accrued liabilities	30,566	7,430	37,996
Deposits and other liabilities	550	-	550
Advance from other funds	100,000	-	100,000
Deferred revenue	25,197	8,273	33,470
<b>Total liabilities</b>	<b>211,698</b>	<b>44,675</b>	<b>256,373</b>
<b>Fund balances</b>			
Reserved	40,067	151,098	191,165
Unreserved			
Undesignated, reported in:			
General Fund	378,423	-	378,423
Special Revenue Funds	-	565,060	565,060
Debt Service Funds	-	10,030	10,030
Capital Project Funds		135,048	135,048
Permanent Fund	-	5,862	5,862
<b>Total fund balances</b>	<b>418,490</b>	<b>867,098</b>	<b>1,285,588</b>
<b>Total liabilities and fund balances</b>	<b>\$ 630,188</b>	<b>\$ 911,773</b>	<b>\$ 1,541,961</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF ST. LOUIS**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**June 30, 2006**

Fund balances - total governmental funds	\$ 1,285,588
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources, and therefore not reported in the funds.

Add: capital assets	29,278,269
Subtract: accumulated depreciation	(18,256,667)

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund balance.

Add: deferred revenue on special assessments and contracts receivable	27,205
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Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The assets and liabilities of the internal service fund are partially included in governmental activities in the statement of net assets.

Add: net assets of governmental activities accounted for in the internal service fund	211,225
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Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.

Subtract: bonds payable	(725,000)
Subtract: installment contracts and capital lease payable	(55,322)
Subtract: accrued interest payable	(8,859)
Subtract: compensated absences	(38,196)

Net assets of governmental activities	\$ <u>11,718,243</u>
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The accompanying notes are an integral part of these financial statements.

**CITY OF ST. LOUIS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the year ended June 30, 2006**

	<b>General</b>	<b>Nonmajor Governmental Funds</b>	<b>Total</b>
<b>Revenues</b>			
Property taxes	\$ 632,087	\$ -	\$ 632,087
Special assessments	-	3,259	3,259
Licenses and permits	12,791	-	12,791
Intergovernmental	639,147	387,296	1,026,443
Charges for services	55,480	84,317	139,797
Fines and forfeits	10,014	130,485	140,499
Donations	-	24,432	24,432
Interest and rent	65,895	62,087	127,982
Other revenue	113,554	37,916	151,470
<b>Total revenues</b>	<b>1,528,968</b>	<b>729,792</b>	<b>2,258,760</b>
<b>Expenditures</b>			
Current:			
General government	507,140	-	507,140
Public works	159,370	251,576	410,946
Public safety	614,388	101,099	715,487
Community and economic development	167,994	-	167,994
Recreation and culture	115,833	181,413	297,246
Capital outlay	-	7,303	7,303
Debt service	86,276	93,004	179,280
<b>Total expenditures</b>	<b>1,651,001</b>	<b>634,395</b>	<b>2,285,396</b>
<b>Revenues over (under) expenditures</b>	<b>(122,033)</b>	<b>95,397</b>	<b>(26,636)</b>
<b>Other financing sources (uses)</b>			
Proceeds from installment contract	10,951	-	10,951
Transfers in	361,103	217,159	578,262
Transfers (out)	(119,697)	(20,155)	(139,852)
<b>Total other financing sources (uses)</b>	<b>252,357</b>	<b>197,004</b>	<b>449,361</b>
<b>Net change in fund balances</b>	<b>130,324</b>	<b>292,401</b>	<b>422,725</b>
Fund balances, beginning of period, as restated	288,166	574,697	862,863
<b>Fund balances, end of period</b>	<b>\$ 418,490</b>	<b>\$ 867,098</b>	<b>\$ 1,285,588</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF ST. LOUIS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the year ended June 30, 2006**

Net change in fund balances - total governmental funds	\$	422,725
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Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: capital outlay		88,536
Subtract: net value of capital assets sold		(76,790)
Subtract: depreciation expense		(864,968)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.

Subtract: current year payment of special assessments and contracts receivable		(145,475)
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add: principal payments on long-term liabilities		135,504
Subtract: proceeds from capital lease		(10,951)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Add: decrease in the accrued interest payable		1,670
Subtract: increase in the accrual of compensated absences		(4,523)

An internal service fund is used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The net revenue (expense) of the internal service fund is partially reported with governmental activities.

Add: interest revenue		1,756
Subtract: net operating loss from governmental activities accounted for in the internal service fund		(12,669)

Change in net assets of governmental activities	\$	(465,185)
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The accompanying notes are an integral part of these financial statements.

**CITY OF ST. LOUIS**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the year ended June 30, 2005**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>Revenues</b>				
Property taxes	\$ 619,700	\$ 625,000	\$ 632,087	\$ 7,087
Licenses and permits	42,200	42,200	12,791	(29,409)
Intergovernmental:				
Federal	150,000	150,000	106,337	(43,663)
State	528,600	550,000	532,810	(17,190)
Charges for services	34,600	34,600	55,480	20,880
Fines and forfeits	12,050	12,050	10,014	(2,036)
Interest and rent	25,500	25,500	65,895	40,395
Other	68,025	121,025	113,554	(7,471)
<b>Total revenues</b>	<b>1,480,675</b>	<b>1,560,375</b>	<b>1,528,968</b>	<b>(31,407)</b>
<b>Expenditures</b>				
Current				
General government	534,570	534,570	507,140	(27,430)
Public safety	699,133	699,133	614,388	(84,745)
Public works	148,985	180,000	159,370	(20,630)
Community and economic development	177,750	273,000	167,994	(105,006)
Recreation and culture	95,200	105,200	115,833	10,633
Debt service	41,400	41,400	86,276	44,876
<b>Total expenditures</b>	<b>1,697,038</b>	<b>1,833,303</b>	<b>1,651,001</b>	<b>(182,302)</b>
<b>Revenues over (under) expenditures</b>	<b>(216,363)</b>	<b>(272,928)</b>	<b>(122,033)</b>	<b>150,895</b>
<b>Other financing sources (uses)</b>				
Proceeds from installment contract	-	-	10,951	10,951
Transfers in	255,130	355,130	361,103	5,973
Transfers (out)	(52,500)	(62,500)	(119,697)	(57,197)
<b>Total other financing sources (uses)</b>	<b>202,630</b>	<b>292,630</b>	<b>252,357</b>	<b>(40,273)</b>
<b>Net change in fund balance</b>	<b>(13,733)</b>	<b>19,702</b>	<b>130,324</b>	<b>110,622</b>
Fund balance, beginning of period	272,009	272,009	288,166	16,157
<b>Fund balance, end of period</b>	<b>\$ 258,276</b>	<b>\$ 291,711</b>	<b>\$ 418,490</b>	<b>\$ 126,779</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF ST. LOUIS**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**June 30, 2006**

	<b>Business-type Activities</b>					<b>Governmental Activities</b>
	<b>Enterprise Funds</b>					<b>Internal Service Fund</b>
	<b>Electric</b>	<b>Sewer and Water</b>	<b>Housing Commission</b>	<b>Solid Waste</b>	<b>Total</b>	
<b>Assets</b>						
Current assets						
Cash and cash equivalents	\$ 380,181	\$ 194,346	\$ 467,839	\$ 25,238	\$ 1,067,604	\$ 86,004
Accounts receivable, net	261,430	135,908	3,891	22,906	424,135	-
Prepaid expenses	7,441	8,853	11,905	1,182	29,381	981
Inventory	269,786	48,239	-	-	318,025	4,965
Restricted assets:						
Cash and cash equivalents	52,823	165,231	-	-	218,054	-
Investments	1,005,631	364,195	-	-	1,369,826	-
Total current assets	1,977,292	916,772	483,635	49,326	3,427,025	91,950
Noncurrent assets						
Unamortized bond discount	-	10,394	-	-	10,394	-
Advance to other funds	100,000	-	-	-	100,000	-
Total noncurrent assets	100,000	10,394	-	-	110,394	-
Capital assets						
Land	198,645	-	40,831	-	239,476	-
Buildings and improvements	784,026	243,494	4,194,906	-	5,222,426	33,284
Equipment	9,575,917	94,078	187,520	-	9,857,515	1,143,772
Infrastructure	-	19,476,167	-	-	19,476,167	-
Construction in progress	85,970	423,807	-	-	509,777	-
	10,644,558	20,237,546	4,423,257	-	35,305,361	1,177,056
Less accumulated depreciation	(4,464,628)	(10,353,171)	(3,140,344)	-	(17,958,143)	(859,650)
Total capital assets	6,179,930	9,884,375	1,282,913	-	17,347,218	317,406
<b>Total assets</b>	<b>8,257,222</b>	<b>10,811,541</b>	<b>1,766,548</b>	<b>49,326</b>	<b>20,884,637</b>	<b>409,356</b>

continued...

The accompanying notes are an integral part of these financial statements.

	Business-type Activities					Governmental Activities
	Enterprise Funds					Internal Service Fund
	Electric	Sewer and Water	Housing Commission	Solid Waste	Total	
<b>Liabilities</b>						
Current liabilities						
Accounts payable	\$ 184,102	\$ 61,426	\$ 10,381	\$ 14,854	\$ 270,763	\$ 3,794
Accrued expenses	38,446	49,208	14,272	1,801	103,727	2,783
Deposits and other liabilities	23,208	11,588	12,221	-	47,017	-
Unearned revenue	-	-	1,471	-	1,471	-
Accrued vacation and sick	20,653	52,871	13,807	-	87,331	8,764
Bonds and contracts payable - current	60,000	105,000	-	-	165,000	-
Total current liabilities	326,409	280,093	52,152	16,655	675,309	15,341
Long-term liabilities						
Accrued vacation and sick	5,607	17,374	21,970	-	44,951	2,605
Bonds and contracts payable	790,000	1,060,000	-	-	1,850,000	-
Total long-term liabilities	795,607	1,077,374	21,970	-	1,894,951	2,605
<b>Total liabilities</b>	1,122,016	1,357,467	74,122	16,655	2,570,260	17,946
<b>Net assets</b>						
Investment in capital assets, net of related debt	5,329,930	8,719,375	1,282,913	-	15,332,218	317,406
Restricted for:						
Debt service	241,968	448,172	-	-	690,140	-
Capital projects	802,623	41,663	-	-	844,286	-
Unrestricted	760,685	244,864	409,513	32,671	1,447,733	74,004
<b>Total net assets</b>	\$ 7,135,206	\$ 9,454,074	\$ 1,692,426	\$ 32,671	\$ 18,314,377	\$ 391,410



**CITY OF ST. LOUIS**  
**RECONCILIATION OF THE PROPRIETARY FUNDS STATEMENT OF**  
**NET ASSETS TO THE STATEMENT OF NET ASSETS**  
**June 30, 2006**

Net assets - total enterprise funds	\$ 18,314,377
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Amounts reported for business-type activities in the statement of net assets are different because:

Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The assets and liabilities of certain internal service funds are included in business-type activities in the statement of net assets.

Add: net assets of business-type activities accounted for in internal service funds	<u>180,185</u>
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Net assets of business-type activities	<u><u>\$ 18,494,562</u></u>
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The accompanying notes are an integral part of these financial statements.

**CITY OF ST. LOUIS**  
**STATEMENT OF REVENUE, EXPENSES AND**  
**CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**For the year ended June 30, 2006**

	<b>Business-type Activities</b>					<b>Governmental Activities</b>
	<b>Enterprise Funds</b>					<b>Internal Service Fund</b>
	<b>Electric</b>	<b>Sewer and Water</b>	<b>Housing Commission</b>	<b>Solid Waste</b>	<b>Total</b>	
<b>Operating revenues</b>						
Charges for services	\$ 3,400,868	\$ 1,432,997	\$ 143,459	\$ 212,725	\$ 5,190,049	\$ 218,188
HUD capital grants	-	-	7,713	-	7,713	-
HUD operating subsidies	-	-	744,236	-	744,236	-
Other revenue	11,434	32,278	1,849	-	45,561	191
<b>Total operating revenues</b>	<b>3,412,302</b>	<b>1,465,275</b>	<b>897,257</b>	<b>212,725</b>	<b>5,987,559</b>	<b>218,379</b>
<b>Operating expenses</b>						
Salaries and wages	338,089	447,069	-	45,543	830,701	38,097
Employee benefits	147,629	201,622	-	18,197	367,448	26,186
Housing assistance payments	-	-	436,891	-	436,891	-
Supplies	78,206	65,072	-	426	143,704	4,250
Dues and fees	9,809	1,672	-	-	11,481	-
Postage	4,574	9,417	-	-	13,991	-
Gas and fuel	-	485	-	-	485	37,624
Uniforms	240	295	-	-	535	-
Contracted services	52,868	128,343	-	133,915	315,126	980
insurance	13,225	23,474	-	728	37,427	15,656
Communications	5,109	7,231	-	-	12,340	-
Travel	6,648	2,221	-	-	8,869	-
Utilities	20,588	224,724	-	-	245,312	-
Energy purchases	1,715,074	-	-	-	1,715,074	-
Energy transmission	246,714	-	-	-	246,714	-
Street lighting	37,894	-	-	-	37,894	-
Repair and maintenance	25,531	31,438	161,497	-	218,466	29,971
Equipment rental	28,007	47,841	-	35,459	111,307	7,871
Miscellaneous	77,325	3,416	271,739	135	352,615	391
Education and training	719	820	-	-	1,539	-
Bad debt expense	-	-	3,752	-	3,752	-
Depreciation	208,659	394,976	169,043	-	772,678	82,490
<b>Total operating expenses</b>	<b>3,016,908</b>	<b>1,590,116</b>	<b>1,042,922</b>	<b>234,403</b>	<b>5,884,349</b>	<b>243,516</b>
<b>Operating income (loss)</b>	<b>395,394</b>	<b>(124,841)</b>	<b>(145,665)</b>	<b>(21,678)</b>	<b>103,210</b>	<b>(25,137)</b>
<b>Nonoperating revenues (expenses)</b>						
Investment earnings	42,935	17,034	7,486	1,580	69,035	1,756
Interest expense	(38,348)	(64,755)	-	-	(103,103)	-
Gain (loss) on sale of assets	-	-	(726)	-	(726)	7,840
<b>Total nonoperating revenues (expenses)</b>	<b>4,587</b>	<b>(47,721)</b>	<b>6,760</b>	<b>1,580</b>	<b>(34,794)</b>	<b>9,596</b>
<b>Income (loss) before transfers</b>	<b>399,981</b>	<b>(172,562)</b>	<b>(138,905)</b>	<b>(20,098)</b>	<b>68,416</b>	<b>(15,541)</b>
<b>Transfers</b>						
Transfers in	-	-	23,455	-	23,455	-
Transfers (out)	(348,805)	(75,820)	(23,455)	(13,785)	(461,865)	-
<b>Changes in net assets</b>	<b>51,176</b>	<b>(248,382)</b>	<b>(138,905)</b>	<b>(33,883)</b>	<b>(369,994)</b>	<b>(15,541)</b>
Net assets, beginning of period, as restated	7,084,030	9,702,456	1,831,331	66,554	18,684,371	406,951
<b>Net assets, end of period</b>	<b>\$ 7,135,206</b>	<b>\$ 9,454,074</b>	<b>\$ 1,692,426</b>	<b>\$ 32,671</b>	<b>\$ 18,314,377</b>	<b>\$ 391,410</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF ST. LOUIS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGE IN FUND NET ASSETS OF ENTERPRISE FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**For the year ended June 30, 2006**

Change in net assets - total enterprise funds	\$ (369,994)
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Amounts reported for business-type activities in the statement of activities are different because:

Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The net revenue (expense) of certain internal service funds is reported with business-type activities.

Subtract: net operating loss from business-type activities accounted for in internal service funds	<u>(12,468)</u>
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Change in net assets of business-type activities	<u><u>\$ (382,462)</u></u>
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The accompanying notes are an integral part of these financial statements.

**CITY OF ST. LOUIS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the year ended June 30, 2006**

	<b>Business-type Activities</b>					<b>Governmental Activities</b>
	<b>Enterprise Funds</b>					<b>Internal Service Fund</b>
	<b>Electric</b>	<b>Sewer and Water</b>	<b>Housing Commission</b>	<b>Solid Waste</b>	<b>Total</b>	
<b>Cash flows from operating activities</b>						
Cash received from customers and users	\$ 3,431,871	\$ 1,478,319	\$ 901,410	\$ 208,149	\$ 6,019,749	\$ -
Cash received from interfund services provided	-	-	2,376	-	2,376	218,379
Cash payments for interfund services used	-	-	(23,892)	-	(23,892)	-
Cash payments to suppliers for goods and services	(2,400,585)	(589,250)	(722,748)	(170,543)	(3,883,126)	(103,072)
Cash payments to employees for services	(505,246)	(688,820)	(159,233)	(63,024)	(1,416,323)	(71,633)
<b>Net cash provided (used) by operating activities</b>	<b>526,040</b>	<b>200,249</b>	<b>(2,087)</b>	<b>(25,418)</b>	<b>698,784</b>	<b>43,674</b>
<b>Cash flows from noncapital financing activities</b>						
Interest income	42,935	17,034	7,486	1,580	69,035	1,756
Transfers in	-	-	23,455	-	23,455	-
Transfers out	(348,805)	(75,820)	(23,455)	(13,785)	(461,865)	-
<b>Net cash provided (used) by noncapital financing activities</b>	<b>(305,870)</b>	<b>(58,786)</b>	<b>7,486</b>	<b>(12,205)</b>	<b>(369,375)</b>	<b>1,756</b>
<b>Cash flows from capital and related financing activities</b>						
Gain on the sale of capital assets	-	-	-	-	-	7,840
Purchase and construction of capital assets	(194,846)	(99,764)	(5,548)	-	(300,158)	(2,876)
Principal paid on capital debt	(50,000)	(100,000)	-	-	(150,000)	-
Interest paid on capital debt	(38,348)	(64,755)	-	-	(103,103)	-
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(283,194)</b>	<b>(264,519)</b>	<b>(5,548)</b>	<b>-</b>	<b>(553,261)</b>	<b>4,964</b>
<b>Cash flows from investing activities</b>						
Purchase of investments	(22,770)	(2,831)	-	-	(25,601)	-
<b>Net cash provided (used) by investing activities</b>	<b>(22,770)</b>	<b>(2,831)</b>	<b>-</b>	<b>-</b>	<b>(25,601)</b>	<b>-</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(85,794)</b>	<b>(125,887)</b>	<b>(149)</b>	<b>(37,623)</b>	<b>(249,453)</b>	<b>50,394</b>
Cash and cash equivalents, beginning of period	518,798	485,464	467,988	62,861	1,535,111	35,610
<b>Cash and cash equivalents, end of period</b>	<b>\$ 433,004</b>	<b>\$ 359,577</b>	<b>\$ 467,839</b>	<b>\$ 25,238</b>	<b>\$ 1,285,658</b>	<b>\$ 86,004</b>
<b>Reconciliation of operating income to net cash provided (used) by operating activities</b>						
Operating income (loss)	\$ 395,394	\$ (124,841)	\$ (145,665)	\$ (21,678)	\$ 103,210	\$ (25,137)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	208,659	394,976	169,043	-	772,678	82,490
Changes in assets and liabilities						
Accounts receivable	19,569	13,044	4,153	(4,576)	32,190	-
Due from other funds	-	-	(13,134)	-	(13,134)	-
Prepaid expenses	(5,998)	(5,535)	(298)	(454)	(12,285)	(166)
Inventory	14,272	(3,659)	-	-	10,613	(4,965)
Accounts payable	(86,378)	(33,847)	(5,980)	574	(125,631)	(1,198)
Accrued liabilities	(19,528)	(40,129)	(1,405)	716	(60,346)	(7,350)
Deposits and other liabilities	50	240	(774)	-	(484)	-
Due to other funds	-	-	(8,382)	-	(8,382)	-
Unearned revenue	-	-	355	-	355	-
<b>Total adjustments</b>	<b>130,646</b>	<b>325,090</b>	<b>143,578</b>	<b>(3,740)</b>	<b>595,574</b>	<b>68,811</b>
<b>Net cash provided (used) by operating activities</b>	<b>\$ 526,040</b>	<b>\$ 200,249</b>	<b>\$ (2,087)</b>	<b>\$ (25,418)</b>	<b>\$ 698,784</b>	<b>\$ 43,674</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF ST. LOUIS**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**June 30, 2006**

	<b>Agency Fund</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 15,503
Accounts receivable	3,131
	<hr/>
<b>Total assets</b>	<b>\$ 18,634</b>
	<hr/> <hr/>
<b>Liabilities</b>	
Accrued liabilities	\$ 4,617
Due to others	1,000
Due to other governmental units	7,392
Due to individuals	5,625
	<hr/>
<b>Total liabilities</b>	<b>\$ 18,634</b>
	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements.

## **NOTES TO FINANCIAL STATEMENTS**

# CITY OF ST. LOUIS, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

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### **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the City of St. Louis, Michigan, conform to generally accepted accounting principles as applicable to government units. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies.

#### **A. REPORTING ENTITY**

Located in Gratiot County, Michigan, St. Louis was settled in 1853 along the banks of the Pine River, became a village in 1868, and was incorporated in 1891 as the City of St. Louis. Organized under Michigan's Comprehensive Home Rule City Act, the City of St. Louis is governed by a single ward, four member elected City Council and the Mayor. The Mayor is elected by the City at large and the City Council selects the mayor Pro Tem. The City Manager is appointed by the Council to administer the business of the City. The City of St. Louis provides the following services to approximately 4,500 residents as authorized by its charter; public safety (police and fire), highways and streets, electric, water, sewer, sanitation, recreation, public improvements, zoning, planning and general administrative services.

#### **Blended component unit**

Certain component units, despite being legally separate from the City, are so intertwined with the City's operations that they are in substance, the same as the City.

St. Louis Housing Commission - The Commission functions to provide subsidized housing to individuals of low and moderate income within the City. The commission operates an 80 unit housing project and administers a certificate program funded by the U.S. Department of Housing and Urban Development (HUD). Commissioners are appointed by City Council. The Commission prepares separate financial statements for submission to HUD, which can be obtained by writing Ms. Kerry Marsh, Director; P.O. Box 117; St. Louis, MI 48880.

#### **Discretely presented component unit**

The following component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City. The discretely presented component unit is an entity that is legally separate from the City, but for which the unit is financially accountable, or its relationship with the City is such that exclusion would cause the financial statements to be misleading or incomplete.

# **CITY OF ST. LOUIS, MICHIGAN**

## **NOTES TO THE FINANCIAL STATEMENTS**

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Downtown Development Authority- The Downtown Development Authority was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The Authority is comprised of individuals from the management of the City as well as residents who are appointed by the City Council. In addition, the Authority's budget is approved by the City Council. The Authority does not issue any other formal financial statements except as contained in the City's comprehensive annual financial report. Detail information can be obtained by contacting the City Clerk.

### **Joint Ventures**

#### **Mid-Michigan Community Fire Board**

The City is a member of the Mid-Michigan Community Fire Board (the "Fire Board"), which is a joint venture between the City of Saint Louis and the Townships of Bethany, Pine River, and Jasper. The governing board is comprised of five members consisting of the Supervisor of each of the Townships, the City Manager and the City Clerk.

Each unit is responsible for funding its required local contribution to cover operational deficits based on the formula established by the Fire Board. The City maintains the accounting records for the Mid-Michigan Community Fire Board. Separate financial statements for the Fire Board can be obtained at the City of St. Louis administration office.

#### **Gratiot County Central Dispatch Authority**

The City is a member of the Gratiot County Central Dispatch Authority, which is a joint venture between Gratiot County, the State of Michigan, and the Cities of Alma, Saint Louis, Ithaca, and Breckenridge. The Authority provides central dispatch services for police and fire services in Gratiot County. The governing board is comprised of eleven members. Gratiot County appoints six board members consisting of the County Sheriff, a representative from the area townships, a representative from the area villages, one county citizen, and two county commissioners. Each of the other units appoints one board member. The Authority has responsibility for preparing the annual budget, which is approved by Gratiot County, and to carry out all activities of the Authority.

The Authority receives funding from telephone surcharge fees and local contributions. A formula has been established to allocate the local contributions. The financial activities of the Gratiot County Central Dispatch Authority are reported in Gratiot County's financial statements as a component unit. The City has no equity interest in the Authority. Copies of Gratiot County's financial statements can be obtained by writing to Ms. Mary Sullivan, Gratiot County Treasurer; P.O. Box 437; Ithaca, MI 48847.



# CITY OF ST. LOUIS, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

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### **Mid-Michigan Area Cable Communications Consortium**

The City is a member of the Mid-Michigan Area Cable Communications Consortium, which is a joint venture between nine Mid-Michigan communities with cable franchised agreements granted to Charter Communications. The nine communities include the Cities of Alma, Clare, Ithaca, Mt. Pleasant, and Saint Louis, the Villages of Breckenridge and Shepherd, and the Townships of Pine River and Union. The Consortium is responsible for developing and monitoring the enforcement of the cable ordinance, negotiating and monitoring of cable franchise agreements, and, to the extent permitted by federal law, regulate cable rates. In the future, the consortium will be responsible for the operation of public education and governmental access channels. Each community is permitted to appoint two members of the governing board. The Consortium has responsibility for preparing the annual budget.

A formula has been established to allocate the local contributions. There were no local contributions during the fiscal year ended, June 30, 2006. The financial activities of Mid-Michigan Area Cable Communications Consortium are reported in the financial statements of the City of Mt. Pleasant. The Consortium operates on a calendar year. There are no separate financial statements produced for the Consortium. Copies of the City of Mt. Pleasant financial statements can be obtained by writing to the City of Mt. Pleasant; 401 N. Main; Mt. Pleasant, MI 48860.

### **B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government, and its component units. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financial accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

# **CITY OF ST. LOUIS, MICHIGAN**

## **NOTES TO THE FINANCIAL STATEMENTS**

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Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### **C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period or within one year for reimbursement based grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

# CITY OF ST. LOUIS, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

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The government reports the following major governmental fund:

The *General Fund* is the principal operating fund of the City. It is used to account for all revenues, expenditures, and activities not specifically accounted for in another fund.

The government reports the following major proprietary funds:

The *Electric Fund* accounts for the operation of an electricity utility system.

The *Sewer and Water Fund* accounts for the activities of the government's sewage disposal and treatment system and water system.

The *Housing Commission Fund* accounts for the activities of the St. Louis Housing Commission.

The *Solid Waste Fund* accounts for the activities of the government's solid waste disposal system.

Additionally, the City reports the following fund types:

The *Internal service fund* provides vehicle and equipment use to other departments or agencies of the government on a cost reimbursement basis.

*Agency funds* are used to account for assets held for other governments in an agency capacity, including tax collections.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

# **CITY OF ST. LOUIS, MICHIGAN**

## **NOTES TO THE FINANCIAL STATEMENTS**

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Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Electric, Sewer and Water, Housing Commission and Solid Waste enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

### **D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY**

#### **1. DEPOSITS AND INVESTMENTS**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at fair value. State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

#### **2. RECEIVABLES AND PAYABLES**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

# CITY OF ST. LOUIS, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

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Property taxes are levied on each December 1<sup>st</sup> on the taxable valuation of property as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent on March 1<sup>st</sup> of the following year, at which time penalties and interest are assessed.

### 3. INVENTORY AND PREPAIDS

Inventory is valued at cost using the “first-in, first-out” (FIFO) method of accounting. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect cost applicable to future years and are recorded as prepaid items in the government-wide and fund statements.

### 4. CAPITAL ASSETS

Capital assets, which include property, plant, and equipment (the City owns infrastructure assets such as water and sewer systems), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include infrastructure prospectively from the date of implementation, June 30, 2004.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed.

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40-60
Building improvements	15-30
Water and Sewer systems	50-75
Infrastructure	5-30
Equipment	3-10

**CITY OF ST. LOUIS, MICHIGAN**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**5. LONG-TERM OBLIGATIONS**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**6. FUND EQUITY**

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

**7. INTERFUND TRANSACTIONS**

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services. The accompanying financial statements generally reflect such transactions as transfers. Subsidies are also recorded as transfers.

The Internal Service Fund is used to record charges for services to all City departments and funds as operating revenue. All affected City funds record these payments to the Internal Service Fund as operating expenditures or expenses.

**8. COMPENSATED ABSENCES**

Compensated Absences (Vacation and Sick Leave) – Sick leave is earned at the rate of 10 hours per month, to be accumulated until a maximum of 500 hours is reached, and is kept to the employees credit. If at the end of a fiscal year, an employee has accumulated sick leave greater than 500 hours, one-half of the accumulated sick leave in excess of 500 hours is paid to the employee and the remainder is lost. Sick leave is not paid upon termination. Upon

# **CITY OF ST. LOUIS, MICHIGAN**

## **NOTES TO THE FINANCIAL STATEMENTS**

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retirement, employees hired before December 20, 1994, are entitled to be paid one half of any accumulated unused sick leave at the rate of pay prevailing at the time of such retirement. This liability is measured using the vesting method as described in GASB Statement # 16.

Employees receive vacation time on July 1st based on prior years service. A maximum of 200 hours can be earned during the prior year. Added to earned vacation time is a maximum of 40 hours carryover of any prior year unused vacation time. Except for a 40 hour carryover, vacation time is to be used within the year received and is paid to employees upon termination.

### **9. RISK MANAGEMENT**

The City is exposed to various risks of loss related to claims, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases commercial insurance to provide for these risks.

There was no change in coverage from the prior year. Settled claims have not exceeded the amounts of insurance coverage in any of the last three years.

## **II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **A. BUDGETS AND BUDGETARY ACCOUNTING**

Annual budgets for all governmental funds are adopted in compliance with Michigan Law. The budgets are prepared on the modified accrual basis, which is consistent with generally accepted accounting principles. The budget document presents information by fund, function, department or activity, and line items. The legal level of budgetary control adopted by the governing body is the function level for the General Fund and Special Revenue Funds.

The City does not formally record encumbrances in the accounting records during the year as a normal practice. Appropriations lapse at the end of the fiscal year and amounts are reappropriated for expenditures to be incurred in the next fiscal year.

**CITY OF ST. LOUIS, MICHIGAN**

**NOTES TO THE FINANCIAL STATEMENTS**

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**B. EXCESS EXPENDITURES OVER APPROPRIATIONS FOR BUDGETARY FUNDS**

The following funds had excess of expenditures over appropriations at the legal level of budgetary control:

	<u>Appropriation</u>	<u>Expenditure</u>	<u>Excess Expenditure</u>
General Fund			
Recreation and culture	\$ 105,200	\$ 115,833	\$ (10,633)
Debt service	41,400	86,276	(44,876)
Transfers out	62,500	119,697	(57,197)
Library Fund			
Recreation and culture			
Library	172,500	181,413	(8,913)

**III. DETAILED NOTES ON ALL FUNDS**

**A. DEPOSITS AND INVESTMENTS**

	<u>Carrying Amount</u>
Government-wide Financial Statement Captions:	
Primary Government:	
Cash and cash equivalents	\$ 2,046,022
Investments	84,507
Restricted cash and cash equivalents	300,169
Restricted investments	1,479,826
Component Unit:	
Cash and cash equivalents	28,258
Fiduciary Fund Financial Statement Captions:	
Cash and cash equivalents	<u>15,503</u>
Total	<u>\$ 3,954,285</u>
Notes to Financial Statements:	
Deposits	\$ 3,954,055
Cash on hand	<u>230</u>
Total	<u>\$ 3,954,285</u>



# CITY OF ST. LOUIS, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

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### *Statutory Authority*

The City is authorized by the State to invest surplus funds in the following:

- Bonds, securities, repurchase agreements and other obligations of the United States or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a financial institution.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- Bankers' acceptances of United States banks.
- Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- Mutual funds registered under the Investment Company Act of 1940 with authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by Public Act 20 as amended through 12/31/97.

### **Risks**

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified in the list of authorized investments above. The City's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk.* State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The City's investment policy does not have specific limits in excess of state law on investment credit risk.

# CITY OF ST. LOUIS, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. State law does not require and the City does not have a policy for deposit custodial credit risk. As of year end \$3,494,026 of the City's bank balance of \$3,794,026 was exposed to custodial credit risk because it was uninsured and uncollateralized.

### B. Receivables

Receivables in the primary government are as follows:

	Governmental Activities	Business-type Activities
Taxes	\$ 12,018	\$ -
Special assessments		
Due within one year	2,558	-
Accounts	2,916	420,575
Contracts		
Due within one year	3,513	-
Due after one year	21,388	-
Interest	10,147	3,560
Intergovernmental	278,489	-
Total	<u>\$ 331,029</u>	<u>\$ 424,135</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Intergovernmental receivable	\$ -	\$ 5,715
Prepaid rent revenue	-	550
Special assessments	2,558	-
Contracts receivable	24,647	-
Total	<u>\$ 27,205</u>	<u>\$ 6,265</u>

**CITY OF ST. LOUIS, MICHIGAN**

**NOTES TO THE FINANCIAL STATEMENTS**

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**C. CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2006 was as follows:

**Primary Government**

	<u><b>Beginning Balance</b></u>	<u><b>Additions</b></u>	<u><b>Disposals</b></u>	<u><b>Ending Balance</b></u>
<b>Governmental activities</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 2,311,932	\$ -	\$ -	\$ 2,311,932
Construction in progress	<u>409,711</u>	<u>24,786</u>	<u>(434,497)</u>	<u>-</u>
<b>Total capital assets not being depreciated</b>	<u>2,721,643</u>	<u>24,786</u>	<u>(434,497)</u>	<u>2,311,932</u>
<b>Capital assets being depreciated:</b>				
Buildings and improvements	1,399,683	457,069	(78,602)	1,778,150
Equipment and vehicles	2,067,004	52,818	(55,082)	2,064,740
Infrastructure-storm sewer	2,701,677	-	-	2,701,677
Infrastructure-streets	20,660,730	-	-	20,660,730
Infrastructure-sidewalks	<u>938,095</u>	<u>-</u>	<u>-</u>	<u>938,095</u>
<b>Total capital assets being depreciated</b>	<u>27,767,189</u>	<u>509,887</u>	<u>(133,684)</u>	<u>28,143,392</u>
<b>Less accumulated depreciation</b>				
Buildings and improvements	(450,818)	(68,647)	6,571	(512,894)
Equipment and vehicles	(1,609,069)	(116,559)	42,483	(1,683,145)
Infrastructure-storm sewer	(1,813,232)	(54,034)	-	(1,867,266)
Infrastructure-streets	(13,719,397)	(676,948)	-	(14,396,345)
Infrastructure-sidewalks	<u>(625,397)</u>	<u>(31,270)</u>	<u>-</u>	<u>(656,667)</u>
<b>Total accumulated depreciation</b>	<u>(18,217,913)</u>	<u>(947,458)</u>	<u>49,054</u>	<u>(19,116,317)</u>
<b>Capital assets being depreciated, net</b>	<u>9,549,276</u>	<u>(437,571)</u>	<u>(84,630)</u>	<u>9,027,075</u>
<b>Governmental activities capital assets, net</b>	<u>\$12,270,919</u>	<u>\$ (412,785)</u>	<u>\$ (519,127)</u>	<u>\$11,339,007</u>

**CITY OF ST. LOUIS, MICHIGAN**  
**NOTES TO THE FINANCIAL STATEMENTS**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
<b>Business-type activities</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 216,143	\$ 23,333	\$ -	\$ 239,476
Construction in progress	<u>383,862</u>	<u>125,915</u>	<u>-</u>	<u>509,777</u>
<b>Capital assets not being depreciated</b>	<u>600,005</u>	<u>149,248</u>	<u>-</u>	<u>749,253</u>
<b>Capital assets being depreciated:</b>				
Buildings and improvements	5,208,606	13,820	-	5,222,426
Equipment	9,530,269	334,299	(7,053)	9,857,515
Infrastructure	<u>19,476,167</u>	<u>-</u>	<u>-</u>	<u>19,476,167</u>
Total capital assets being depreciated	<u>34,215,042</u>	<u>348,119</u>	<u>(7,053)</u>	<u>34,556,108</u>
Less accumulated depreciation				
Buildings and improvements	(3,391,629)	(182,335)	-	(3,573,964)
Equipment	(4,113,492)	(203,497)	6,327	(4,310,662)
Infrastructure	<u>(9,686,671)</u>	<u>(386,846)</u>	<u>-</u>	<u>(10,073,517)</u>
Total accumulated depreciation	<u>(17,191,792)</u>	<u>(772,678)</u>	<u>6,327</u>	<u>(17,958,143)</u>
<b>Capital assets being depreciated, net</b>	<u>17,023,250</u>	<u>(424,559)</u>	<u>(726)</u>	<u>16,597,965</u>
<b>Business-type activities capital assets, net</b>	<u>\$17,623,255</u>	<u>\$ (275,311)</u>	<u>\$ (726)</u>	<u>\$ 17,347,218</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

**Governmental activities:**

Legislative	\$ 3,201
General government	45,654
Public safety	23,121
Public works	847,294
Community development	3,144
Recreation and culture	<u>25,044</u>

**Total depreciation expense – governmental activities** **\$ 947,458**

# CITY OF ST. LOUIS, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

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### Business-type activities:

Electric	\$ 208,658
Sewer/Water	394,977
Housing Commission	<u>169,043</u>

**Total depreciation expense – business-type activities**     **\$ 772,678**

### Construction Commitments

There were no construction commitments as of June 30, 2006. The balances remaining in construction in progress for the West-Side Expansion and the Watson Sanitary Sewer are for projects for which the remaining work will be completed by the City. The Water Well #8 project was completed as of June 30, 2006; however, final payment was not made until August of 2006.

### D. PAYABLES

Accounts payable and accrued liabilities in the primary government are as follows:

	Governmental Activities	Business-type Activities
Accounts	\$ 88,151	\$ 270,763
Wages, fringe benefits and other accrued liabilities	40,779	69,199
Deposits	550	47,017
Interest payable	<u>8,859</u>	<u>34,528</u>
Total	<u>\$ 138,339</u>	<u>\$ 421,507</u>

### E. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

For the year ended June 30, 2006, the City had an outstanding advance between the Electric Fund and General Fund. The Electric Fund advanced the General Fund \$100,000 for the construction of the City swimming pool. No repayment schedule has been established by the City Council other than the advance must be repaid within 20 years of the advance

**CITY OF ST. LOUIS, MICHIGAN**

**NOTES TO THE FINANCIAL STATEMENTS**

<b>Transfer From:</b>						
<b>Transfer to:</b>	General	Nonmajor Governmental	Electric	Sewer and Water	Solid Waste	<b>Total</b>
General	\$ -	\$ 155	\$ 271,343	\$ 75,820	\$ 13,785	\$ 361,103
Nonmajor						
Governmental	119,697	20,000	77,462	-	-	217,159
<b>Total</b>	<b><u>\$ 119,697</u></b>	<b><u>\$ 20,155</u></b>	<b><u>\$ 348,805</u></b>	<b><u>\$ 75,820</u></b>	<b><u>\$ 13,785</u></b>	<b><u>\$ 578,262</u></b>

Interfund transfers include transfer of unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds, in accordance with budgetary authorizations; and, transfer of revenues from the fund that is required to collect them to the fund that is required or allowed to expend them.

**F. LONG-TERM DEBT**

Long-term debt of the City is comprised of the following:

	<b>Balance July 1, 2005</b>	<b>Additions</b>	<b>(Reductions)</b>	<b>Balance June 30, 2006</b>	<b>Due Within One Year</b>
<b>GOVERNMENTAL ACTIVITIES</b>					
1996 Building Authority Bonds principal due in annual installments of \$10,000 to \$40,000 through April of 2016, interest due semi-annually on October 1 <sup>st</sup> and April 1 <sup>st</sup> .	\$ 295,000	\$ -	\$ (20,000)	\$ 275,000	\$ 20,000
1997 Special Assessment Bond principal due in annual installments of \$2,000 to \$10,000 through February of 2007, interest due semi-annually on August 1 <sup>st</sup> and February 1 <sup>st</sup> .	15,000	-	(5,000)	10,000	10,000

# CITY OF ST. LOUIS, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

### GOVERNMENTAL ACTIVITIES (continued)

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance June 30, 2006</u>	<u>Due Within One Year</u>
1997 General Obligation Bond principal due in annual installments of \$2,000 to \$10,000 through February of 2007, interest due semi-annually on August 1 <sup>st</sup> and February 1 <sup>st</sup> .	15,000	-	(5,000)	10,000	10,000
2002 General Obligation Bond principal due in annual installments of \$20,000 to \$50,000 through October of 2017, interest due semi-annually on April 1 <sup>st</sup> and October 1 <sup>st</sup> .	455,000	-	(25,000)	430,000	25,000
Vanhaften Trust Land Contract principal due in monthly installments of \$240 to \$330 through October of 2009, interest due monthly.	48,529	-	(3,175)	45,354	3,370
Urban Land Assembly Loan principal due in yearly installments of \$35,400 through April of 2006, interest of 0%.	\$ 35,400	\$ -	\$ (35,400)	\$ -	\$ -
Fire Truck Note principal due in yearly installments of \$19,662 through December of 2006, interest of 5.25%	36,431	-	(36,431)	-	-
Capital Lease with CBI Copy Products due in monthly installments of \$579 through January 2006	4,515	-	(4,515)	-	-
Capital Lease with GE Capital due in monthly installments of \$382 through February 2009	-	10,951	(983)	9,968	3,269
Employee compensated absences	<u>40,747</u>	<u>24,796</u>	<u>(15,979)</u>	<u>49,564</u>	<u>34,440</u>
Total Governmental Activities	<u>\$ 945,622</u>	<u>\$ 35,747</u>	<u>\$ (151,483)</u>	<u>\$ 829,886</u>	<u>\$ 106,079</u>

# CITY OF ST. LOUIS, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

### BUSINESS-TYPE ACTIVITIES

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance June 30, 2006</u>	<u>Due Within One Year</u>
Water Supply and Sanitary Sewage Disposal Revenue Bonds 1996 principal due in annual installments of \$25,000 to \$90,000, interest due semi-annually on October 1 <sup>st</sup> and April 1 <sup>st</sup> .	\$520,000	\$ -	\$ (60,000)	\$460,000	\$ 65,000
Water Supply and Sanitary Sewage Disposal Revenue Bonds 1997 principal due in annual installments of \$30,000 to \$80,000, interest due semi-annually on October 1 <sup>st</sup> and April 1 <sup>st</sup> .	745,000	-	(40,000)	705,000	40,000
Electric Revenue Bonds, Dated September 1, 2001, principal due in annual installments of \$20,000 to \$80,000, interest due semi-annually on January 1 <sup>st</sup> and July 1 <sup>st</sup> .	900,000	-	(50,000)	850,000	60,000
Less: Deferred charges	(11,741)	-	1,347	(10,394)	-
Employee compensated absences	<u>\$ 106,978</u>	<u>\$ 74,638</u>	<u>\$ (49,334)</u>	<u>\$ 132,282</u>	<u>\$ 87,331</u>
Total Business-Type Activities	<u>\$2,260,237</u>	<u>\$ 74,638</u>	<u>\$ (197,987)</u>	<u>\$2,136,888</u>	<u>\$ 252,331</u>

### Changes in long-term liabilities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Bonds payable:					
General obligation bonds	\$ 780,000	\$ -	\$ (55,000)	\$ 725,000	\$ 65,000
Installment contracts	120,360	-	(75,006)	45,354	3,370
Capital leases	4,515	10,951	(5,498)	9,968	3,269
Compensated absences	<u>40,747</u>	<u>24,796</u>	<u>(15,979)</u>	<u>49,564</u>	<u>34,440</u>
Governmental activity Long-term liabilities	<u>\$ 945,622</u>	<u>\$ 35,747</u>	<u>\$ (151,483)</u>	<u>\$ 829,886</u>	<u>\$ 106,079</u>



# CITY OF ST. LOUIS, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

**Business-Type activities:**

Bonds payable:					
Revenue Bonds	\$ 2,165,000	\$ -	\$ (150,000)	\$ 2,015,000	\$ 165,000
Deferred amounts-discount	(11,741)	-	1,347	(10,394)	-
Compensated absences	<u>106,978</u>	<u>74,638</u>	<u>(49,334)</u>	<u>132,282</u>	<u>87,331</u>
Business-Type activity					
Long-term liabilities	<u>\$ 2,260,237</u>	<u>\$ 74,638</u>	<u>\$ (197,987)</u>	<u>\$ 2,136,888</u>	<u>\$ 252,331</u>

For the governmental activities, compensated absences are generally liquidated by the general fund and certain special revenue funds.

Annual debt service requirements to maturity for general obligation, revenue bonds and notes are as follows:

Year Ending December 31	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 71,639	\$ 38,322	\$ 165,000	\$ 78,753
2008	52,390	34,734	175,000	88,033
2009	56,686	31,924	190,000	79,368
2010	59,033	27,912	190,000	70,170
2011	59,282	24,886	200,000	60,565
2012-2016	386,292	77,884	775,000	174,849
2017-2018	<u>95,000</u>	<u>4,766</u>	<u>320,000</u>	<u>16,999</u>
Total	<u>\$ 780,322</u>	<u>\$ 240,428</u>	<u>\$ 2,015,000</u>	<u>\$ 568,737</u>

### IV. OTHER INFORMATION

#### A. DEFINED BENEFIT PENSION PLAN

##### Pension Plan

##### Plan Description:

The City of St. Louis, Michigan, contributes to the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer defined benefit public employee retirement plan administered by the MERS Retirement Board. The Plan provides retirement and disability benefits, annual cost of living adjustments, and death benefits to Plan members and beneficiaries. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. MERS issues a publicly available financial report that includes financial statements and required supplementary information for MERS. A copy of that report may be obtained by writing to the Municipal Employees

# CITY OF ST. LOUIS, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

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Retirement System of Michigan, 1134 Municipal Way, Lansing, MI 48917 or by calling (800) 767-6377.

The pension plan provided pension benefits, deferred allowances, and death and disability benefits. Benefits vest after 6 years of service. Normal retirement is based on certain requirements.

The retirement allowance is reduced  $\frac{1}{2}$  of 1% for each complete month that the retirement date precedes the age at which full normal retirement benefits are available. Pension provisions include allowances whereby an employee may terminate employment with the City after accumulating 6 years of service but before reaching the age of 60 (age of 55 or 50 in certain cases). If the employee does not withdraw his or her accumulated contributions, the employee is entitled to all pension benefits upon reaching retirement age as discussed above.

Pension provisions include death and disability benefits. A disabled employee is entitled to full benefits after acquiring 6 or more years of credited service. A surviving spouse is entitled to receive 85% of the employee's straight life allowance. Children are entitled to 50% of the straight life allowance.

### Funding Policy:

The City is required to contribute at an actuarially determined rate; the current rate ranges between 4.74% and 19.37% of annual covered payroll. Employees are currently not required to contribute to the Plan. The contribution requirements of the City are established, and may be amended, by the MERS Retirement Board. The contribution requirements of employees are established, and may be amended, by the City depending on the MERS contribution program adopted by the City.

### Annual Pension Cost:

For the year ended June 30, 2006, the City's annual pension cost of \$102,941 for MERS was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2003 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return of the investment of present and future assets of 8%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, (c) additional projected salary increases of 0% to 8.40% per year, depending on age, attributable to seniority/merit, and (d) the assumption that benefits will increase 2.5% annually after retirement. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return and includes an adjustment to reflect fair value. The City's unfunded actuarial

# CITY OF ST. LOUIS, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2005, the date of the latest actuarial valuation, was 30 years.

### Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/04	\$ 93,802	100%	\$ -
6/30/05	103,625	100%	-
6/30/06	102,941	100%	-

### Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/03	\$4,885,175	\$ 5,456,339	\$ 571,164	90%	\$ 787,368	73%
12/31/04	5,033,423	5,852,221	818,798	86%	803,382	102%
12/31/05	5,171,928	6,122,260	950,332	84%	852,428	111%

## **B. DEFINED CONTRIBUTION PENSION PLAN**

In an effort to phase out the MERS defined benefit retirement plan described above, the City adopted a resolution to implement the ICMA Defined Contribution Money Purchase Plan for all employees of the City. Three plans, electrical employees, police employees, and non-union employees, were implemented beginning July 1, 1999, and are the only pension plans available to new employees after that date. The City's Defined Contribution Pension Plans are single employer defined contribution pension plans, established by the City and administered by an outside third-party administrator. The City's contribution ranges from 7% to 8% of each participants wages for the plan year contingent upon the participant electing to contribute 3% of earnings. The participants' contributions are immediately 100% vested and the City's contributions are vested over a five year period. Employer contributions for the plans were \$52,273 for the year ended June 30, 2006. Employee contributions for the plans were \$19,140 for the year ended June 30, 2006. Plan provisions and contribution requirements are established and may be amended by the City Council.

**CITY OF ST. LOUIS, MICHIGAN**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**C. BUILDING INSPECTION**

The City does not maintain a separate fund for building inspection services. Expenditures for these services are classified to a separate function throughout the year within the General Fund. During the year ended June 30, 2006, the building permit and inspection function of the City produced revenues totaling \$16,994 and incurred direct expenditures totaling \$55,440.

**D. LEASE REVENUE**

The City leases a 1997 fire truck to the Mid-Michigan Community Fire Board. The City obtained a loan during the year ended June 30, 1997 to finance the purchase of the fire truck. Obligations related to the loan are recorded in long-term debt. The lease is a capital lease that contains a bargain purchase option and therefore is not recorded in the City's capital assets. The following is a schedule of future minimum lease revenues under the capital lease, together with the net present value of the minimum lease revenues as of June 30, 2006:

<u>Year</u>	<u>Fire Truck</u>
2007	\$ 19,662
Less amounts representing interest	<u>(981)</u>
Present value of net minimum lease payments	<u>\$ 18,681</u>

**E. CONTINGENT LIABILITIES**

The City is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers compensation), as well as medical benefits provided to employees. The City manages risk through the purchase of commercial insurance.

**Liability, vehicle physical damage, and property and crime** – The City is a member of the Michigan Municipal Liability and Property Pool, which is an association organized to purchase commercial insurance for protection against loss for Michigan cities, counties, townships and special service governments. The City is insured up to the following limits: Liability - \$ 5,000,000, vehicle physical damage - \$ 5,000,000 and property and crime - \$5,000,000, subject to deductibles of \$1,000, \$100 - \$250 and \$1,000, respectively.

# CITY OF ST. LOUIS, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

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When a claim is incurred and/or paid, the member's loss contribution account is charged or credited according to the member's actual loss experience; no obligation is credited for another member's losses. If contributions are in excess of actual expenses and reserves, future contributions are increased. Should any member have more losses paid on their behalf than contributions covering such losses, credit is extended within the association joint loss fund; such a deficit is repaid by the member in future contributions.

The Plan does not maintain separate funds for members and consequently the City's share of Total Assets and Total Equity is unknown. Audited financial statements of the Plan are available.

**Worker's compensation** – The City purchases coverage through the Michigan Municipal Workers' Compensation Fund. The Fund is authorized by State law to provide its members with coverage required by the Workers' Disability Compensation Act. Claims are subject to a maximum limit of \$500,000 per occurrence.

### F. RESTATEMENTS

For the City's General Fund, a prior period adjustment was made to eliminate prior year Metro Act revenue from the current year, for which the net effect caused revenues to be understated and liabilities to be overstated. This adjustment had the following effect on the beginning fund balance:

Beginning fund balance, as previously reported	\$ 272,009
Adjustment for prior year revenue	<u>16,157</u>
Beginning fund balance, as restated	<u>\$ 288,166</u>

For the City's T.A. Cutler Memorial Library Fund, an adjustment was made to eliminate prior year State aid revenue from the current year, for which the net effect caused revenues to be understated and liabilities to be overstated. This adjustment had the following effect on the beginning fund balance:

Beginning fund balance, as previously reported	\$ 69,309
Adjustment for prior year State aid revenue	<u>4,111</u>
Beginning fund balance, as restated	<u>\$ 73,420</u>

**CITY OF ST. LOUIS, MICHIGAN**  
**NOTES TO THE FINANCIAL STATEMENTS**

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For the City's Electric Fund, a study was performed by an outside vendor to obtain a more accurate value of the Electric Fund infrastructure. This adjustment had the following effect on the beginning net assets:

Beginning net assets, as previously reported	\$ 6,002,515
Adjustment for infrastructure	<u>1,081,515</u>
Beginning net assets, as restated	<u>\$ 7,084,030</u>

For the City's Sewer and Water Fund, a study was performed by an outside vendor to obtain a more accurate value of the Sewer and Water Fund infrastructure. This adjustment had the following effect on the beginning net assets:

Beginning net assets, as previously reported	\$ 12,242,468
Adjustment for infrastructure	<u>(2,540,012)</u>
Beginning net assets, as restated	<u>\$ 9,702,456</u>

For the City's Housing Commission, a prior period adjustment in the amount of \$3,833 was necessary to properly account for the overstatement of a receivable, during the year ended June 30, 2005. The effect on the Housing Commission net assets was as follows:

Net assets, beginning of year, as previously stated	\$ 1,835,164
Prior period adjustments	<u>(3,833)</u>
Net assets, beginning of year, as restated	<u>\$ 1,831,331</u>

For the City's Statement of Net Assets, a prior period adjustment in the amount of \$16,157 and \$4,111 was necessary to properly account for the understatement of a revenue in the funds as noted above and \$7,943,272 to properly account for the understatement of storm sewers, sidewalks and streets infrastructure capital assets during the year ended June 30, 2005. The effect on the Statement of Net Assets net assets was as follows:

Net assets, beginning of year, as previously stated	\$ 4,219,888
Adjustment for revenues	20,268
Infrastructure adjustment	<u>7,943,272</u>
Net assets, beginning of year, as restated	<u>\$ 12,183,428</u>

During the year the City began recording the activity related to the MAGNET fund, which was previously recorded on the City of Owosso, Michigan financial statements.

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## **SUPPLEMENTARY INFORMATION**

**CITY OF ST. LOUIS**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**June 30, 2006**

	<b>Special Revenue Funds</b>				
	<b>Major Street</b>	<b>Local Street</b>	<b>MAGNET</b>	<b>T.A. Cutler Memorial Library</b>	<b>Total</b>
<u>ASSETS</u>					
Cash and cash equivalents	\$ 164,571	\$ 170,847	\$ 111,314	\$ 39,718	\$ 486,450
Investments	-	-	-	20,860	20,860
Accounts receivable, net	-	312	-	4,318	4,630
Assessments receivable, net	-	-	-	-	-
Due from other governments	40,275	15,491	8,691	3,426	67,883
Prepaid expenditures	311	1,043	-	475	1,829
Restricted assets:					
Cash and cash equivalents	-	-	-	25,525	25,525
Investments	-	-	-	-	-
<u>TOTAL ASSETS</u>	<u>\$ 205,157</u>	<u>\$ 187,693</u>	<u>\$ 120,005</u>	<u>\$ 94,322</u>	<u>\$ 607,177</u>
<u>LIABILITIES AND FUND BALANCES</u>					
LIABILITIES					
Accounts payable	\$ 8,812	\$ 5,752	\$ 11,057	\$ 3,351	\$ 28,972
Accrued liabilities	2,171	2,073	-	3,186	7,430
Deferred revenue	-	-	-	5,715	5,715
TOTAL LIABILITIES	10,983	7,825	11,057	12,252	42,117
FUND BALANCES					
Reserved:					
Permanent trust	-	-	-	-	-
Unreserved - undesignated	194,174	179,868	108,948	82,070	565,060
TOTAL FUND BALANCES	194,174	179,868	108,948	82,070	565,060
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$ 205,157</u>	<u>\$ 187,693</u>	<u>\$ 120,005</u>	<u>\$ 94,322</u>	<u>\$ 607,177</u>



Debt Service Funds					Capital Project Funds				Permanent Fund	Total Nonmajor Governmental Funds
1997 Special Assessment Bond	Building Authority	2002 General Obligation Limited Tax	Total		Swimming Pool	Capital Improvement	Total		Cemetery Perpetual Care	
\$ 4,686	\$ 1,839	\$ -	\$ 6,525	\$ 8,954	\$ 117,094	\$ 126,048	\$ -	\$ 619,023		
-	-	3,505	3,505	-	-	-	-	24,365		
-	-	-	-	-	-	-	-	9,548		
2,558	-	-	2,558	-	-	-	-	2,558		
-	-	-	-	9,000	-	9,000	-	76,883		
-	-	-	-	-	-	-	-	1,829		
-	-	-	-	-	-	-	-	42,042		
-	-	-	-	-	-	-	-	110,000		
<u>\$ 7,244</u>	<u>\$ 1,839</u>	<u>\$ 3,505</u>	<u>\$ 12,588</u>	<u>\$ 17,954</u>	<u>\$ 117,094</u>	<u>\$ 135,048</u>	<u>\$ 156,960</u>	<u>\$ 911,773</u>		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,972		
-	-	-	-	-	-	-	-	7,430		
2,558	-	-	2,558	-	-	-	-	8,273		
2,558	-	-	2,558	-	-	-	-	44,675		
-	-	-	-	-	-	-	-	151,098		
4,686	1,839	3,505	10,030	17,954	117,094	135,048	5,862	716,000		
4,686	1,839	3,505	10,030	17,954	117,094	135,048	156,960	867,098		
<u>\$ 7,244</u>	<u>\$ 1,839</u>	<u>\$ 3,505</u>	<u>\$ 12,588</u>	<u>\$ 17,954</u>	<u>\$ 117,094</u>	<u>\$ 135,048</u>	<u>\$ 156,960</u>	<u>\$ 911,773</u>		

**CITY OF ST. LOUIS**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**For the year ended June 30, 2006**

	Special Revenue Funds				
	Major Street	Local Street	MAGNET	T.A. Cutler Memorial Library	Total
<b>Revenues</b>					
Special assessments, net	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental:					
Federal	-	-	-	-	-
State	232,854	93,814	44,802	6,826	378,296
Charges for services	34,331	-	33,863	2,020	70,214
Fines and forfeits	-	-	-	130,485	130,485
Donations	-	-	24,432	-	24,432
Interest and rent	4,610	6,858	2,560	5,866	19,894
Other revenue	-	448	9,001	18,366	27,815
<b>Total revenues</b>	<b>271,795</b>	<b>101,120</b>	<b>114,658</b>	<b>163,563</b>	<b>651,136</b>
<b>Expenditures</b>					
Current:					
Public works	117,166	134,410	-	-	251,576
Public safety	-	-	101,099	-	101,099
Recreation and culture	-	-	-	181,413	181,413
Capital outlay	-	-	-	-	-
Debt Service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
<b>Total expenditures</b>	<b>117,166</b>	<b>134,410</b>	<b>101,099</b>	<b>181,413</b>	<b>534,088</b>
<b>Revenues over (under) expenditures</b>	<b>154,629</b>	<b>(33,290)</b>	<b>13,559</b>	<b>(17,850)</b>	<b>117,048</b>
<b>Other financing sources (uses)</b>					
Transfers in	-	35,000	-	26,500	61,500
Transfers (out)	(20,000)	-	-	-	(20,000)
<b>Total other financing sources (uses)</b>	<b>(20,000)</b>	<b>35,000</b>	<b>-</b>	<b>26,500</b>	<b>41,500</b>
<b>Net change in fund balances</b>	<b>134,629</b>	<b>1,710</b>	<b>13,559</b>	<b>8,650</b>	<b>158,548</b>
Fund balances, beginning of period, as restated	59,545	178,158	95,389	73,420	406,512
<b>Fund balances, end of period</b>	<b>\$ 194,174</b>	<b>\$ 179,868</b>	<b>\$ 108,948</b>	<b>\$ 82,070</b>	<b>\$ 565,060</b>

Debt Service Funds				Capital Project Funds			Permanent Fund	Total
1997 Special Assessment Bond	Building Authority	2002 General Obligation Limited Tax	Total	Swimming Pool	Capital Improvement	Total	Cemetery Perpetual Care	Nonmajor Governmental Funds
\$ 3,259	\$ -	\$ -	\$ 3,259	\$ -	\$ -	\$ -	\$ -	3,259
-	-	-	-	9,000	-	9,000	-	9,000
-	-	-	-	-	-	-	-	378,296
-	-	14,103	14,103	-	-	-	-	84,317
-	-	-	-	-	-	-	-	130,485
-	-	-	-	-	-	-	-	24,432
470	37,074	19	37,563	83	1,435	1,518	3,112	62,087
-	-	-	-	7,351	-	7,351	2,750	37,916
3,729	37,074	14,122	54,925	16,434	1,435	17,869	5,862	729,792
-	-	-	-	-	-	-	-	251,576
-	-	-	-	-	-	-	-	101,099
-	-	-	-	-	-	-	-	181,413
-	-	-	-	7,303	-	7,303	-	7,303
10,000	20,000	25,000	55,000	-	-	-	-	55,000
2,240	16,540	19,224	38,004	-	-	-	-	38,004
12,240	36,540	44,224	93,004	7,303	-	7,303	-	634,395
(8,511)	534	(30,102)	(38,079)	9,131	1,435	10,566	5,862	95,397
11,000	-	29,000	40,000	-	115,659	115,659	-	217,159
-	-	-	-	-	-	-	(155)	(20,155)
11,000	-	29,000	40,000	-	115,659	115,659	(155)	197,004
2,489	534	(1,102)	1,921	9,131	117,094	126,225	5,707	292,401
2,197	1,305	4,607	8,109	8,823	-	8,823	151,253	574,697
\$ 4,686	\$ 1,839	\$ 3,505	\$ 10,030	\$ 17,954	\$ 117,094	\$ 135,048	\$ 156,960	\$ 867,098

**CITY OF ST. LOUIS**  
**MAJOR STREET FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**For the year ended June 30, 2006**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>Revenues</b>				
Intergovernmental:				
State	\$ 207,800	\$ 207,800	\$ 232,854	\$ 25,054
Charges for services	-	-	34,331	34,331
Interest and rent	1,500	1,500	4,610	3,110
Other	16,000	16,000	-	(16,000)
<b>Total revenues</b>	<u>225,300</u>	<u>225,300</u>	<u>271,795</u>	<u>46,495</u>
<b>Expenditures</b>				
Public works	<u>228,395</u>	<u>228,395</u>	<u>117,166</u>	<u>(111,229)</u>
<b>Total expenditures</b>	<u>228,395</u>	<u>228,395</u>	<u>117,166</u>	<u>(111,229)</u>
<b>Revenues over (under) expenditures</b>	(3,095)	(3,095)	154,629	157,724
<b>Other financing uses</b>				
Transfers out	<u>(20,000)</u>	<u>(20,000)</u>	<u>(20,000)</u>	<u>-</u>
<b>Net change in fund balance</b>	(23,095)	(23,095)	134,629	157,724
Fund balance, beginning of period	<u>59,545</u>	<u>59,545</u>	<u>59,545</u>	<u>-</u>
<b>Fund balance, end of period</b>	<u>\$ 36,450</u>	<u>\$ 36,450</u>	<u>\$ 194,174</u>	<u>\$ 157,724</u>

**CITY OF ST. LOUIS**  
**LOCAL STREET FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the year ended June 30, 2006**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>Revenues</b>				
Intergovernmental:				
State	\$ 92,300	\$ 92,300	\$ 93,814	\$ 1,514
Interest and rent	1,500	1,500	6,858	5,358
Other	1,500	1,500	448	(1,052)
<b>Total revenues</b>	95,300	95,300	101,120	5,820
<b>Expenditures</b>				
Public works	155,110	155,110	134,410	(20,700)
<b>Revenues over (under) expenditures</b>	(59,810)	(59,810)	(33,290)	26,520
<b>Other financing sources</b>				
Transfers in	20,000	20,000	35,000	15,000
<b>Net change in fund balance</b>	(39,810)	(39,810)	1,710	41,520
Fund balance, beginning of period	178,158	178,158	178,158	-
<b>Fund balance, end of period</b>	<u>\$ 138,348</u>	<u>\$ 138,348</u>	<u>\$ 179,868</u>	<u>\$ 41,520</u>

**CITY OF ST. LOUIS**  
**MAGNET**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the year ended June 30, 2006**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>Revenues</b>				
Intergovernmental:				
State	\$ 44,500	\$ 44,500	\$ 44,802	\$ 302
Fines and forfeitures	6,500	6,500	33,863	27,363
Contributions from local units	45,000	45,000	24,432	(20,568)
Interest and rent	500	500	2,560	2,060
Other	-	-	9,001	9,001
<b>Total revenues</b>	96,500	96,500	114,658	18,158
<b>Expenditures</b>				
Public safety	101,400	101,400	101,099	(301)
<b>Net change in fund balance</b>	(4,900)	(4,900)	13,559	18,459
Fund balance, beginning of period	95,389	95,389	95,389	-
<b>Fund balance, end of period</b>	<u>\$ 90,489</u>	<u>\$ 90,489</u>	<u>\$ 108,948</u>	<u>\$ 18,459</u>

**CITY OF ST. LOUIS**  
**T.A. CUTLER MEMORIAL LIBRARY SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the year ended June 30, 2006**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>Revenues</b>				
Intergovernmental:				
State	\$ 4,000	\$ 4,000	\$ 6,826	\$ 2,826
Charges for services	2,000	2,000	2,020	20
Fines and forfeits	128,500	128,500	130,485	1,985
Interest and rent	1,000	1,000	5,866	4,866
Other revenue	6,500	6,500	18,366	11,866
<b>Total revenues</b>	142,000	142,000	163,563	21,563
<b>Expenditures</b>				
Recreation and culture:				
Library	172,500	172,500	181,413	8,913
<b>Revenues over (under) expenditures</b>	(30,500)	(30,500)	(17,850)	12,650
<b>Other financing sources</b>				
Transfers in	-	-	26,500	26,500
<b>Net change in fund balance</b>	(30,500)	(30,500)	8,650	39,150
Fund balances, beginning of period, as restated	69,308	69,308	73,420	4,112
<b>Fund balances, end of period</b>	<u>\$ 38,808</u>	<u>\$ 38,808</u>	<u>\$ 82,070</u>	<u>\$ 43,262</u>

**CITY OF ST. LOUIS**  
**TRUST AND AGENCY FUNDS**  
**COMBINING BALANCE SHEET**  
**June 30, 2006**

	<b>Agency Funds</b>			
	<b>Tax Collection</b>	<b>Bethany Trust</b>	<b>Employee Flexible Benefit Plan</b>	<b>Total</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 13,009	\$ -	\$ 2,494	\$ 15,503
Accounts receivable	-	3,131	-	3,131
<b>Total assets</b>	<b>\$ 13,009</b>	<b>\$ 3,131</b>	<b>\$ 2,494</b>	<b>\$ 18,634</b>
<b>Liabilities</b>				
Accrued liabilities	\$ 4,617	\$ -	\$ -	\$ 4,617
Due to others	1,000	-	-	1,000
Due to other governments	7,392	-	-	7,392
Due to individuals	-	3,131	2,494	5,625
<b>Total liabilities</b>	<b>\$ 13,009</b>	<b>\$ 3,131</b>	<b>\$ 2,494</b>	<b>\$ 18,634</b>



**CITY OF ST. LOUIS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**ALL AGENCY FUNDS**  
**For the year ended June 30, 2006**

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
<b><u>TAX COLLECTION</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 1,000	\$ 2,049,610	\$ 2,037,601	\$ 13,009
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 2,030,525	\$ 2,030,525	\$ -
Accrued liabilities	-	967,912	963,295	4,617
Due to others	1,000	-	-	1,000
Due to other governments	-	1,084,156	1,076,764	7,392
<b>Total liabilities</b>	<b>\$ 1,000</b>	<b>\$ 4,082,593</b>	<b>\$ 4,070,584</b>	<b>\$ 13,009</b>
<b><u>BETHANY TRUST</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ -	\$ 11,967	\$ 11,967	\$ -
Accounts receivable	2,738	13,039	12,647	3,131
<b>Total assets</b>	<b>\$ 2,738</b>	<b>\$ 25,006</b>	<b>\$ 24,614</b>	<b>\$ 3,131</b>
<b>Liabilities</b>				
Due to other governments	\$ 2,738	\$ 35,963	\$ 35,570	\$ 3,131
<b><u>EMPLOYEE FLEXIBLE BENEFIT FUND</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 4,401	\$ 2,025	\$ 3,932	\$ 2,494
<b>Liabilities</b>				
Due to individuals	\$ 4,401	\$ 23,236	\$ 25,143	\$ 2,494
<b>TOTAL - ALL AGENCY FUNDS</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 5,401	\$ 2,063,602	\$ 2,053,500	\$ 15,503
Accounts receivable	2,738	13,039	12,647	3,131
<b>Total assets</b>	<b>8,139</b>	<b>2,076,641</b>	<b>2,066,147</b>	<b>18,634</b>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 2,030,525	\$ 2,030,525	\$ -
Accrued liabilities	-	967,912	963,295	4,617
Due to others	1,000	-	-	1,000
Due to other governments	2,738	1,120,119	1,112,334	10,523
Due to individuals	4,401	23,236	25,143	2,494
<b>Total liabilities</b>	<b>\$ 8,139</b>	<b>\$ 4,141,792</b>	<b>\$ 4,131,297</b>	<b>\$ 18,634</b>

## **SINGLE AUDIT SECTION**

**CITY OF ST. LOUIS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the year ended June 30, 2006**

<u>FEDERAL GRANTOR PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>FEDERAL AWARDS EXPENDED</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Public and Indian Housing	14.850	\$ 157,021
Section 8 Housing Choice Vouchers	14.871	563,760
Public Housing Capital Fund	14.872	31,168
MEDC's Community Development Block Grant	14.228	<u>34,295</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		<u>786,244</u>
U.S. DEPARTMENT OF INTERIOR		
Passed through the State of Michigan, Department of Natural Resources Outdoor Recreation-Acquisition, Development, & Planning	15.916	<u>9,000</u>
U.S. DEPARTMENT OF JUSTICE		
Passed through the State of Michigan, Department of Community Health Health - Office of Drug Control Policy	16.738	<u>44,802</u>
U.S. ELECTION REFORM		
Passed through the State of Michigan, Department of State Help America Vote Act	39.011	<u>6,467</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY		
Brownfield Pilot Grant	66.811	<u>65,575</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE		<u><u>\$ 912,088</u></u>

**NOTE 1 BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of St. Louis and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.



**REHMANN ROBSON**

*Certified Public Accountants*

A member of **THE REHMANN GROUP**

An Independent Member of Baker Tilly International

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

September 15, 2006

City Council  
City of St. Louis  
108 West Saginaw Street  
St. Louis, Michigan 48880-1589

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the *City of St. Louis*, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 15, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the *City's* internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we considered to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the *City of St. Louis's* financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L'.



**REHMANN ROBSON**

*Certified Public Accountants*

A member of **THE REHMANN GROUP**

An Independent Member of Baker Tilly International

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

September 15, 2006

City Council  
City of St. Louis  
St. Louis, Michigan 48880-1589

Compliance

We have audited the compliance of the City of St. Louis with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The City of St. Louis's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of St. Louis's management. Our responsibility is to express an opinion on the City of St. Louis's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of St. Louis's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of St. Louis's compliance with those requirements.

In our opinion, the City of St. Louis complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

### Internal Control Over Compliance

The management of the City of St Louis is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of St. Louis's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, St. Louis City Council and federal awarding agencies and pass – through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L'.

**CITY OF ST. LOUIS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

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**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued: *Unqualified*

Internal controls over financial reporting:  
Material weakness(es) identified? \_\_\_\_\_ yes   X   no  
Reportable condition(s) identified not  
considered to be material weaknesses? \_\_\_\_\_ yes   X   none reported

Noncompliance material to financial  
statements noted? \_\_\_\_\_ yes   X   no

**Federal Awards**

Internal Control over major programs:  
Material weakness(es) identified? \_\_\_\_\_ yes   X   no  
Reportable condition(s) identified not  
considered to be material weaknesses? \_\_\_\_\_ yes   X   none reported

Type of auditor's report issued on compliance  
for major programs: *Unqualified*

Any audit findings disclosed that are required to  
be reported in accordance with Circular A-133,  
Section 510(a)? \_\_\_\_\_ yes   X   no

**Identification of Major Programs:**

<b><u>CFDA Number(s)</u></b>	<b><u>Name of Federal Program or Cluster</u></b>
14.871	Section 8 Housing Choice Vouchers



**CITY OF ST. LOUIS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

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Dollar threshold used to distinguish  
between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?   X   yes        no

**SECTION II – FINANCIAL STATEMENT FINDINGS**

None.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None.

**PRIOR YEAR FINDINGS**

None.